

Testimony of Golda L. Stout
Subcommittee on Oversight & Investigations
Committee on Financial Services
May 23, 2002

1. I am a citizen of the United States of America. I was born on 12 May 1915 on a small farm north of Madrid, Iowa and my age is 87. My birth name was Golda Sylvia Lewis. My friends know me simply as Judy Stout.
2. I am the eldest and only surviving child of my parents, Earl Russell Lewis and Sylvia Bryant Lewis. I had one sister, Zola Mae Lewis, who was born on 28 August 1916 and died on 1 May 1997. After she married Lawrence A. Cuneo, Sr., she legally changed her first name and became Ann L. Cuneo. My two brothers were Ernest R. Lewis and Larry G. Lewis
3. I married Hugh H. Stout on 30 August 1939. We lived together for over 56 years until his death on 18 April 1996. With his death I suffered the greatest loss in my life and I think of him everyday.
4. I live in Elgin, Illinois where I have resided for over 50 years.
5. I graduated from Roosevelt High School in Des Moines, Iowa in January 1933.
6. I graduated from Capital City Commercial College in Des Moines, Iowa in November, 1933
7. I attended Iowa State College for the full-term of 1934 and the fall of 1936. I was studying to be a Registered Dietitian but did not complete my undergraduate education for financial reasons.
8. Great Western Insurance employed me in 1937 at their office in Des Moines, Iowa. After the merger of Great Western with Washington National Insurance, I was transferred to their home office in Evanston, Illinois.
9. I have two children (sons), Duane E. Stout and Ronald L. Stout, who were born on 13 December 1946 and 30 November 1942, respectively, in Evanston, Illinois.
10. Duane E. Stout married Christine Matousek on 10 October 1981. They live in Riverside, Illinois. Duane has a B.S. in Chemistry from Iowa State University, a M.S. in Biochemistry from Northwestern University and a B.S. in Pharmacy from the University of Illinois. He is currently a staff pharmacist at the Hines VA Hospital. He is also a Lt. Commander in the U.S. Public Health Service Reserve.
11. Ronald L. Stout married Breda Hickey on 25 November 1965. They live in Elgin, Illinois and their home is located approximately 500 feet from my home. Ronald has a B.S. with distinction in Electrical Engineering from Iowa State University and a Ph.D. in Electrical Engineering from Northwestern University. Ronald recently retired from Lucent Technologies Inc.
12. I have one stepson, Donnell D. Stout, born on 2 August 1933. He is married to Virginia Stout and they live in San Antonio, Texas. He is retired from the U.S. Air Force.
13. Ronald and Breda Stout have provided me with a granddaughter, Keara Lynn (25) and a grandson, Kieran Andrew (28). Both have undergraduate college degrees.
14. Kieran is both a full-time firefighter on the Carpentersville Fire Department and a Captain on the Pingree Grove Volunteer Fire Department that protects my home. He is married to Tamara L. Stout and they have blessed me with a great-granddaughter, Kierstin A. Stout (4). Tamara is due to deliver her second child in May 2002.
15. Keara is the Director of Aquatics for Lifetime Fitness in Algonquin, Illinois.

16. My children and their wives, my granddaughter, grandson and his wife, and my great-granddaughter have been the joys of my life. Due to their close proximity to my home I am fortunate to have them visit me frequently and for Sunday dinners. My great-granddaughter's best treat is having a sleepover with me, her Grandmere. They all keep me feeling vibrant and alive.
17. My physicians are pleased with my general health for a person 87 years young. I have a heart condition that required quadruple by-pass surgery in September 1996. However, I intend to have a major celebration on my 90th birthday.
18. Throughout many ordeals in life and especially this most recent one involving Frank Dominic Gruttadauria, Lehman Bros. and SG Cowen, my own internal drive and the steadfast support and involvement of my family have given the strength to deal with these challenges.
19. Based upon encouragement of Breda in June 1982, I established my first brokerage account and began to invest in the stock market. I did not initially engage Frank D. Gruttadauria as my account executive but was familiar with him through Breda. Frank had initially contacted her in the early 1980's to solicit her investment business.
20. Throughout the 1980's I became more familiar with Frank, his wife and children on a social basis. However, my sister, Ann L. Cuneo, did engage Frank as her stockbroker before I did.
21. Based upon my sister's favorable comments regarding Frank, my husband and I opened a brokerage account with him as the designated broker at the Chicago, Illinois office of Cowen and Company in November 1991. We established the account with an initial deposit of \$100,000.
22. Over the next few years I came to trust Frank and Cowen and Company and I ultimately transferred all my investment assets to them.
23. Over the period from 1991 through 1997 I deposited with Cowen and Company over \$750,000 in cash, securities and bonds. I continue with Lehman Bros. after my account transferred from SG Cowen to Lehman with Frank. My most recent cash deposit was \$100,000 in October 2001 to Lehman Bros.
24. I felt secure in investing with Cowen and Company, SG Cowen and Lehman Bros. because of their solid reputation in the securities industry.
25. For many years I have monitored my investments by recording the closing price of each stock I owned in my notebook(s). I did this daily except when I was ill, on vacation, or had some other unexpected event arise so that I could not do so. The statements I received from Cowen and Company, SG Cowen or Lehman Bros. were consistent with my personal records of the securities I thought I owned and the current prices for them.
26. From discussions with Frank and the November 2001 Lehman Bros account statement received, I believed my portfolio value to be slightly in excess of \$2,500,000.
27. As a Christmas present in 1999 my family gave me a personal computer. Since receiving it, I have undertaken a self-education project to become computer literate. In the fall of 2001 my son, Ronald, introduced me to on-line banking.
28. My son also informed me that he could access his entire investment portfolio on-line through a website provided by his investment firm. My thoughts turned to on-line access of my brokerage information too. This would be of great value since I could not readily get daily information from CNBC on my bond prices and it would save me from logging the closing price of each equity.
29. In early January 2002, I asked Frank for Internet access to my Lehman Bros. brokerage account. He told me that Lehman Bros. did not offer its clients Internet access to their

accounts. After informing my son about this he checked the Lehman Bros. website. According to the website, Lehman Bros. did offer Internet account access at live.lehman.com. He contacted the 24-hour Help Desk using their toll free number for more information. As indicated on the website and reconfirmed by through the Help Desk, a User ID must be obtained from your Lehman Bros. representative.

30. I called Frank and told him what we had learned. He then acknowledged that Lehman Bros did offer Internet access but he said that he had a personal policy not to allow any of his clients Internet brokerage service. He said it was too much of a distraction for him. He stated that if I wanted Internet access he would have my account transferred to another broker but I would lose his investment counsel and services. Based upon my desire to retain his advice and our long relationship, I did not transfer elsewhere.
31. Either in that telephone conversation or in a return call shortly thereafter, Frank offered to provide me with a list of all the symbols for the securities in my account so that I could check on the daily closing prices using Microsoft Money, which I told him I had to monitor my banking account on-line.
32. By Monday, 21 January 2002, I had not received any list of stock symbols from Frank. I decided that I would have my account moved to another broker in order to gain Internet access to my account. However, on the morning of 22 January 2002 my son received information from his lawyer that attorneys for Frank had been unsuccessful in contacting him for over one week and that the next information about Frank would be in the newspapers.
33. Based upon this alarming information I attempted to contact Frank by telephone. The person answering asked me for some of my account information, informed me that Frank was being sought by the FBI and I would be contacted with information about my account shortly.
34. I heard nothing for the remainder of that day and on Wednesday my son contacted the Lehman Bros. office. He was given the name of an individual who would contact me soon. Shortly before noon CST, a Lehman Bros. employee informed me that the value of my account was estimated at about \$86,000. I disputed that amount and requested they provide me with a current statement since I had not received a December 2001 statement.
35. When I received the December 2001 statement, it confirmed the value of my portfolio to be approximately \$86,000 at the end of that month. To my surprise I noticed that this statement was mailed in my name to Joseph DeGrandis, Jr. at DeGrandis & DeGrandis in Cleveland, Ohio.
36. I saved all the information I received from Cowen and Company, SG Cowen and Lehman Bros over the past ten years. Upon comparing them with actual account statements provided by these firms it is clear that I was defrauded on a massive scale for years. My account was drained of its assets by unauthorized sales of equities, checks issued to unknown individuals without my personal authorization, equities delivered to undocumented destinations and the forgery of my signature to at least one Lehman Bros. client agreement.
37. Throughout the period that Frank served as the account executive managing my securities portfolio, he told me he was investing my money according to my instructions and that he had my best interests at heart. I believed him because I trusted him like many of the investment companies are stressing in their television advertisements.
38. Had I known that Frank was preparing and sending me false brokerage account statements, sending the official statements to DeGrandis & DeGrandis without my authorization or knowledge, or making payments or transfers without my knowledge and

- permission, I would have not selected Frank as my account representative, and, upon discovery of any of these facts, I would have immediately terminated our relationship.
39. By his own admission Frank D. Gruttadauria defrauded his clients for over 15 years. While individual investors cannot see the whole picture, the investment firm has oversight capability and responsibility. During a period of economic growth in the market, the accounts of Frank's clients were declining. This occurred without detection or suspicion by any of his employers, Cowen and Company, SG Cowen or Lehman Bros. Equally troubling to these firms should have been the seeming lack of concern on the part of clients to the loss in portfolio value and strange activities transpiring month after month after month.
40. Given recent newspaper articles about these firms, it would appear this is not the first occurrence of this type of fraud. It thus raises a question as to whether these firms are unwilling to detect wrongdoing.
41. I lived through a Depression in this country that I hope we never experience again. While I suffered along with millions of other Americans from the ravages of the Depression, I made a commitment to work hard and save. As a result of my investment activities, I felt secure in knowing that the remaining years of my life would be spent without financial worry. I looked forward to passing on a valuable legacy to my children, grandchildren and great-grandchildren. Unlike myself who could not complete college because of financial limitations, I wanted to assure my great-grandchildren of their education. But all has changed since January 2002.
42. The project to recover my losses has just begun. Either road, litigation or arbitration, will require much time since this is not the normal case. The investment firms have large resources to devote. And their revenue stream continues but mine has stopped. My investment portfolio loss is monumental to me but represents just minute's worth of the revenue to these investment firms. But even with this mind they will battle me as though their very existence is at stake.
43. This brings me to my main point. As we all realize social security should not be the foundation of any retirement plan. IRA's, 401ks, saving and investing are the real foundation for retirement. In almost all cases these activities will involve investments using a brokerage firm. To the greatest extent possible stockbroker misdeeds must be prevented from occurring. The cost in time and money to recover losses is too great a burden.